

Message Text

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PAGE 01 TOKYO 03273 01 OF 02 130708Z

16

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 /081 W

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R 130435Z MAR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8639

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

USMISSION EC BRUSSELS

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LIMITED OFFICIAL USE SECTION 1 OF 2 TOKYO 3273

PASS TREASURY, FEDERAL RESERVE, COMMERCE, CEA

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJ: 1974 NATIONAL ACCOUNT ESTIMATES FOR JAPAN

REF: A. TOKYO 16173, 12 DEC. 1974; B. TOKYO A-585, 10
SEPT 1974

SUMMARY: RECENTLY RELEASED NATIONAL ACCOUNTS ESTIMATES FOR
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PAGE 02 TOKYO 03273 01 OF 02 130708Z

1974 (WHICH ARE STILL SUBJECT TO FURTHER REVISION ESP.

LAST QUARTER 1974) SHOW REAL GNE FELL 1.8 PERCENT FROM 1973 LEVEL, A FAR SMALLER DECLINE IN REAL GROSS NATIONAL EXPENDITURE DURING YEAR THAN EARLIER ESTIMATES HAD INDICATED. CAUSE OF ENORMOUS UPWARD REVISION IN EARLIER GNE ESTIMATES WAS SHIFT FROM 1965 TO 1970 AS BASE FOR DEFLATOR AND BENCHMARK FOR OTHER DATA USED IN ESTIMATING NATIONAL ACCOUNTS. PRELIMINARY ESTIMATE FOR OCT-DEC 1974 SHOWS 0.4 PERCENT DECLINE IN REAL GNE FROM PRIOR QUARTER, WITH PRIVATE CONSUMPTION OFF 0.5 PERCENT AND INVESTMENT IN PRIVATE PLANT AND EQUIPMENT DOWN 5.6 PERCENT. EMBASSY WONDERS HOW THE NEW GOJ FIGURES AFFECT VALIDITY AND INTERNATIONAL COMPERABILITY OF RECENT OECD PUBLICATIONS AND FORECASTS. END SUMMARY.

1. GNE ESTIMATE BY ECONOMIC PLANNING AGENCY FOR CY 1974 SHOWS JAPAN'S REAL GNE DECLINED 1.8 PERCENT FROM 1973 LEVEL. ALTHOUGH THIS WAS FIRST POSTWAR YEAR-TO-YEAR DROP IN JAPAN'S GNE, DECLINE WAS FAR LESS THAN EARLIER ESTIMATES COVERING JAN-SEPT PERIOD INDICATED; PREVIOUS REAL GNE ESTIMATES FOR FIRST THREE QUARTERS (AT 1965 PRICES) WERE REVISED UPWARD WHEN NEW ESTIMATES USING 1970 PRICES AND DATA BASE WERE MADE. LATEST ESTIMATE SHOWS REAL PRIVATE CONSUMPTION ROSE 1.6 PERCENT AND PUBLIC CONSUMPTION ROSE 3.1 PERCENT IN 1974 WHEREAS GROSS DOMESTIC INVESTMENT DROPPED 10.0 PERCENT, WITH PRIVATE FIXED INVESTMENT DOWN 13.0 PERCENT.

2. EFFECT OF CHANGING DATA BENCHMARK AND PRICE BASE PRODUCES FOLLOWING REVISED ESTIMATES OF QUARTER-TO-QUARTER PERCENT CHANGES IN REAL GNE (SA) DURING 1974 (UNREVISED IN PAREN): JAN-MAR, MINUS 3.7 (MINUS 4.7); APRIL-JUNE, PLUS 1.8 (PLUS 0.7); JULY-SEPT, PLUS 0.8 (MINUS 0.2); OCT-DEC, MINUS 0.4. CUMULATIVE IMPACT OF REVISION IN DATA FOR FIRST THREE QUARTERS OF 1974 WAS SUBSTANTIAL. ON 1965 BASE PRELIMINARY ESTIMATES SHOWED REAL GNE FOR JAN-SEPT 1974 (SEASONALLY ADJUSTED AT ANNUAL RATES) AVERAGING 3.7 PERCENT BELOW CY 1973 (REF A); HOWEVER, REVISED ESTIMATES ON 1970 BASE INDICATE DECLINE WAS ONLY 1.9 PERCENT. ESTENSIVE NATURE OF REVISIONS REINFORCES VIEW THE INDUSTRIAL PRODUCTION INDEX TRENDS TO LIMITED OFFICIAL USE

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PAGE 03 TOKYO 03273 01 OF 02 130708Z

BE MORE RELIABLE GUIDE FOR MEASURING SHORT-TERM CHANGES IN THE VOLUME OF OUTPUT THAN PROVISIONAL GNP STATISTICS DURING A PERIOD OF RAPID INFLATION (REF B) ALTHOUGH THIS INDICATOR (LIKE GNP AS WELL) MUST BE CLOSELY EXAMINED IN RELATION TO INVENTORY ACCUMULATION/DECUMULATION FOR APPRAISAL OF DIRECTION OF ECONOMY.

3. EPA DIRECTOR NATIONAL EXPENDITURE SEC TOLD ASSIST

FINATT REVISIONS REFLECT BOTH CHANGE IN DEFLATOR BASE
(MOVING FROM 1965 TO 1970 PRICE BASE) AND MOVING DATA
BENCHMARK WITH I-O TABLES, NATIONAL WEALTH SURVEY, AND
CENSUS DATA (ALL NOW 1970 BASE). NEW DEFLATOR BASE AND
NEW BENCHMARK HAD APPROXIMATELY EQUAL IMPACT IN REVI-
SIONS. REVISED STATISTICS AND PREVIOUS ESTIMATES OF
ANNUAL PERCENT CHANGES IN NOMINAL AND REAL EXPENDITURE
ON GNP AND CHANGES IN GNP DEFLATOR ARE AS FOLLOWS:

PERCENT CHANGE

	1971	1972	1973	1974
GNP NOMINAL REVISED		12.0	14.0	22.9 18.6
OLD		11.7	14.4	24.1
GNP REAL REVISED		7.3	8.7	10.2 -1.8
OLD		6.8	8.9	10.5
GNP DEFLATOR REVISED		4.4	4.8	11.5 20.8
OLD		4.6	5.0	11.9

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PAGE 01 TOKYO 03273 02 OF 02 130658Z

16

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CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

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R 130435Z MAR 75
FM AMEMBASSY TOKYO
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INFO AMEMBASSY BERN
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LIMITED OFFICIAL USE SECTION 2 OF 2 TOKYO 3273

REVISED ESTIMATES OF REAL GNE (1970 BASE) THROUGH FIRST
QUARTER 1974 CAN BE OBTAINED FROM DEC 1974 ISSUED OF BOJ
PUBLICATION QTE ECONOMIC STATISTICS MONTHLY UNQTE;
DETAILED ANNUAL STATISTICS ARE SHOWN ON PP 181-182;
SEASONALLY ADJUSTED QUARTERLY ESTIMATES ARE SHOWN ON
PP 159-160.

4. FOURTH QUARTER DEVELOPMENTS: PRELIMINARY ESTIMATE
OF JAPAN'S GROSS NATIONAL EXPENDITURE (GNE) IN OCT-DEC
1974 (SEASONALLY ADJUSTED AT ANNUAL RATES) INDICATES REAL
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PAGE 02 TOKYO 03273 02 OF 02 130658Z

GNE DECLINE OF 0.4 PERCENT FROM JULY-SEPT QUARTER.
REAL PRIVATE CONSUMPTION DECREASED 0.5 PERCENT; REAL
PRIVATE DOMESTIC INVESTMENT FELL 3.2 PERCENT FROM JULY-
SEPT LEVEL AS 3.0 INCREASE IN PRIVATE RESIDENTIAL INVEST-
MENT WAS OUTWEIGHED BY 5.6 PERCENT DROP IN PRIVATE
INVESTMENT IN PLANT AND EQUIPMENT. EMBASSY NOTES THAT
FOURTH QUARTER INCREASES IN PRIVATE RESIDENTIAL INVEST-
MENT AND PUBLIC RESIDENTIAL INVESTMENT AND OTHER INVEST-
MENT WHICH ROSE 3.0, 5.1, AND 6.6 PERCENT, RESPECTIVELY,
FROM THE PREVIOUS QUARTER INDICATE FISCAL/MONETARY
MEASURES BY GOJ TO INCREASE HOUSING LOANS MAY BE HAV-
ING POSITIVE IMPACT IN CUSHIONING CURRENT RECESSION.

5. FOLLOWING ARE LATEST EPA ESTIMATES OF PERCENT CHANGES
IN JAPAN'S REAL NATIONAL ACCOUNTS (SA) FOR FOURTH QUARTER AND
YEAR 1974 (M INDICATES DECLINE FROM PRIOR PERIOD):

	OCT-DEC 1974	
	(QTR-TO-QTR (YR-TO-YR	
	PCT CHGE) PCT CHGE)	
GROSS NATIONAL EXPENDITURE	M 0.4	M 1.8
FINAL DOMESTIC DEMAND	M 0.6	M 3.1
1. PRIVATE CONSUMPTION	M 0.5	1.6
2. PUBLIC CONSUMPTION	0.0	3.1
3. DOMESTIC INVESTMENT	3.7	M 10.0
FIXED INVESTMENT	M 0.8	M 10.8
PRIVATE FIXED INVESTMENT	M 3.2	M 10.1
RESIDENTIAL	3.0	M 7.3

PLANT & EQUIPMENT	M 5.6	M 11.1
PUBLIC FIXED INVESTMENT	6.5	M 13.0
RESIDENTIAL	5.1	M 5.5
OTHER	6.6	M 13.3
INVENTORY CHANGE	M 33.3	M 0.9
4. NET FACTOR PAYMENTS ABROAD	53.0	142.7
EXPORTS, ETC.	4.8	21.2
IMPORTS, ETC.	M 3.6	12.2

6. EMBASSY WOULD APPRECIATE WASHINGTON AND US OECD COMMENT
ON EFFECT OF THESE LARGE REVISIONS OF GOJ DATA (AND GOJ
ADOPTION OF 1970 BASE PERIOD) ON VALIDITY AND INTERNATIONAL
COMPARABILITY OF DATA IN RECENT OECD PUBLICATIONS AND
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PAGE 03 TOKYO 03273 02 OF 02 130658Z

FORECASTS. AS RECENTLY AS FEB. 4 (OECD 03728) GOJ REPS
APPARENTLY DID NOT DISAGREE WITH SECRETARIAT ESTIMATE THAT
JAPAN WOULD EXPERIENCE MINUS 3.75 REAL GROWTH OF GNP IN 1974
AND THIS PROJECTED DROP, THE LARGEST OF ANY OECD COUNTRY,
UNDOUBTEDLY RESPONSIBLE FOR ESTIMATED NEGATIVE GROWTH FOR
OECD "BIG 7" AS GROUP. (INFORMATION PARAS 1 THRU 5 ABOVE
ARE UNCLASSIFIED.)
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